

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: SB 985
AUTHOR: La Malfa, Doug
RELATED BILLS: AB 1455 (Harkey)

BILL SUMMARY: High-Speed Rail: Bonds

This bill would prohibit the sale of additional bonds from the \$9.95 billion authorized from the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A). The bill would apply to the Proposition 1A funds available for the high-speed rail project (project), as well as funds for intercity rail and local transit projects, beyond the amount sold as of the enactment of this legislation. Any outstanding bond funds would be redirected to pay debt-service on any bonds previously sold. This bill contains an urgency clause.

FISCAL SUMMARY

This bill could prohibit the sale of up to \$9.4 billion in general obligation bonds, and could result in the loss of \$3.3 billion in available federal matching funds for the project. Through fiscal year 2011-12, approximately \$420 million has been appropriated from Proposition 1A for the administration, design, and environmental review process for the project, and an additional \$130 million for positive train control projects on the state's intercity rail and local transportation systems.

Prohibiting the sale of \$9.4 billion in taxable general obligation bonds would result in debt-service savings of approximately \$700 million over a period of 30 years. Debt-service for \$500 million in Proposition 1A bonds sold to date is paid from the redirection of vehicle weight fees. Any unspent bond proceeds available upon enactment of this legislation would be redirected to help pay Proposition 1A debt-service.

COMMENTS

Finance is opposed to this bill because it would effectively stop the construction of the high-speed rail project by prohibiting the sale of future bond funds for the project. Furthermore, the bill could result in the loss of up to \$3.3 billion in federal funds.

The project is currently scheduled to begin property acquisition and construction in 2012-13. The Authority plans to proceed with construction on the Initial Operating Section (IOS) using five separate construction packages, the first of which is scheduled to begin in late 2012. In addition, the 2012 Business Plan proposes using Proposition 1A intercity rail and local transit funding to begin work improving these systems in the immediate future.

The revised Governor's Budget includes \$5.8 billion for the initial portion of the IOS, as well as \$820 million for intercity rail and local transit projects. The funding for intercity rail and local transit projects is contingent upon the appropriation of \$5.8 billion for initial construction of the IOS in the 2012 Budget Act.

Analyst/Principal (0753) M.Almy	Date	Program Budget Manager Mark Hill	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

AMENDMENT DATE

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La Malfa, Doug

Original

SB 985

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP					Fund		
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
2665/High Speed	SO	No		----	See Fiscal Summary	----			6043
<u>Fund Code</u>	<u>Title</u>								
6043	High - Speed Passenger Train Bond Fund								